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February 22, 2011

Co-Chair Paul R. Doyle
Co-Chair Joseph J. Taborsak
Senator Kevin D. Witkos
Representative Rosa C. Rebimbas

General Law Committee:

We are submitting testimony in opposition to H.B. 5744, H.B. 5869, and H.B. 5871 that all propose to ban zone pricing.

The Independent Connecticut Petroleum Association (ICPA) represents 576 petroleum marketers and their associated business in Connecticut. ICPA members employ over 13,000 people in our state and provide over 1,000 convenience stores with gasoline.

The price differential that exists between lower Fairfield County and the rest of Connecticut are undeniable. For the better part of two decades, the General Law Committee has listened to testimony on legislation that proposes to ban zone pricing and "fix" the price differential that motorists witness as the travel from the Stamford area to other parts of the state.

Over the past 15 years, Stamford has seen the number of gasoline stations shrink while the numbers of financial institutions grow. Gasoline stations are sold for upwards of \$8 million dollars so that banks, investment firms and other businesses can be built in their place. Gasoline stations that operate in Fairfield County can pay their landlord as much as \$25,000 per month in rent for barley a half an acre of property to operate their station on.

The shrinking supply of gasoline stations, with growing demand of the motoring public have lead to higher prices than anywhere else in Connecticut. Properties that can be utilized for a more profitable use, have and continue to be sold for purposes other than the sale of gasoline, resulting in higher prices.

Banning zone pricing will do nothing to reduce the price of gasoline in Fairfield County. Zone pricing is not responsible for the unique supply and demand situation that exists in southwest Connecticut and does not address the lack of competition and the higher cost of doing business there.

Taxes, insurance, property values, and labor, to name a few, are more expensive in lower Fairfield County. Banning zone pricing does not change the cost to operate gasoline stations, but it would take away the flexibility to respond to

changes in the market place to the detriment of consumers and small businesses.

On the other end of the spectrum we have the Berlin Turnpike, where competition is vibrant and prices are lower. What would be the effect of banning zone pricing in situations where competitors are abundant? According to the Federal Trade Commission and a Quinnipiac University study, consumers would likely pay more.

The only way to truly create uniform prices throughout the state (as proposed in H.B. 5871) would be to require the 1,400 registered gasoline retailers to join the 2 electricity utilities and 3 natural gas utilities and be regulated by the Department of Public Utility Control (DPUC).

In a regulated environment, opposed to the free market place, DPUC could set gasoline prices, instead of competition determining what consumers pay for gas. Gasoline retailers could make rate cases where all of their costs are considered and a guaranteed rate of return is established. Under the current system, prices are not uniform because costs and competitive factors vary from town to town and profits are not guaranteed.

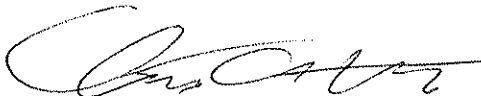
If the desired outcome of these bills is for motorists to pay the same price for gasoline no matter the circumstances, then banning zone pricing will not accomplish that goal. Uniform prices are only attainable in a regulated environment where the government sets the price of fuel.

Practically every product and service is more expensive in lower Fairfield County, and the proponents of this legislation want you to believe that gasoline is more costly due to zone pricing, and not the same factors that make every other product and service more expensive. Real estate, clothing, food, haircuts, landscaping, etc. all cost more in southwest Connecticut than many other parts of the state, but this misguided legislation only focuses on gasoline.

Banning zone pricing has been a bad policy option for the last 15 years and continues to be a bad option today.

We ask that the General Law Committee **oppose H.B. 5744, H.B. 5869, and H.B. 5871** and allow the competitive marketplace to work.

Respectfully,



Christian A. Herb
Vice President